

## Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 USIA-15 TRSE-00 MBFR-03

SAJ-01 AID-20 SS-15 NSC-10 OMB-01 RSR-01 /127 W

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R 031855Z AUG 73

FM USMISSION NATO

TO SECSTATE WASHDC 1077

SECDEF WASHDC

INFO ALL NATO CAPITALS 3203

AMEMBASSY VALLETTA

USCINCEUR

USDOCOSOUTH

USNMR SHAPE

C O N F I D E N T I A L USNATO 3695

E.O. 11652: GDS

TAGS: EFIN, MT, NATO

SUBJECT: MALTA: ITALIAN SPECIAL PAYMENTS PROPOSAL

REF: STATE 148491

SUMMARY: MALTA GROUP REPS MET AUGUST 2 TO HEAR ITALIAN PROPOSAL AS TO HOW AN EXCEPTIONAL ITALIAN PAYMENT MIGHT BE MADE WITHIN THE FRAMEWORK OF SPECIAL PAYMENTS ARRANGEMENTS, YET NOT DO VIOLENCE TO THE BASIC ARRANGEMENT AND THEREBY RISK SETTING A PRECEDENT THAT WOULD ENCOURAGE NEW MALTESE DEMANDS. ITALIAN REP REALLY HAD NO CONCRETE PLAN. RATHER HE MADE A VAGUE PLEA THAT GROUP FIRST AGREE "IN PRINCIPLE" THAT IT WAS POSSIBLE FOR EXCEPTIONAL PAYMENT TO BE MADE IN THIS MANNER AND THAT TOGETHER WE ALL WORK OUT "MODALITIES" OF HOW THIS COULD BE DONE IN MANNER THAT WOULD SATISFY OUR SEVERAL OBJECTIONS. THIS WEAK INITIATIVE RECEIVED UNANIMOUS REJECTION. IN RATHER BRISK FASHION NETHERLANDS REP INSISTED THAT GROUP WOULD BE UNABLE TO ACCEDE TO ANY ITALIAN PROPOSAL, THAT ADDITIONAL MEETINGS ON THIS SUBJECT WERE USELESS, AND THAT THIS WORKING CONFIDENTIAL

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GROUP CONCLUSION SHOULD BE MADE A MATTER OF NATO RECORD SO THAT MATTER COULD ONLY BE REOPENED AT HIGHER LEVEL. OTHERS AGREED WITH VARIOUS LOWER DEGREES OF ENTHUSIASM THAT ITALIAN PROPOSAL WAS NON-STARTER. ITALIAN REP ACCEPTED CONSENSUS WITH

RELATIVE GOOD GRACE BUT SUCCEEDED IN AVOIDING WRITTEN REPORT AT THIS TIME THUS LEAVING DOOR SLIGHTLY OPEN FOR ANOTHER EFFORT LATER THIS MONTH. ACTION REQUESTED: THAT USNATO BE ADVISED OF THE AMOUNT TO BE PAID UNDER THE SPECIAL CONTRIBUTION FOR THE PERIOD 1 OCT-31 DEC 73 WHICH IS DUE TO MALTA ON 16 OCT 73. END SUMMARY.

1. REPRESENTATIVES OF THE FIVE COUNTRIES MAKING CONTRIBUTIONS TO MALTA UNDER THE SPECIAL PAYMENTS FORMULA, PLUS UK, MET AUGUST 2 TO HEAR DETAILS OF ITALIAN FORMULA THAT WOULD ALLOW ITALY TO MAKE AN EXCEPTIONAL PAYMENT TO MALTA WITHIN THE FRAMEWORK OF THE SPECIAL PAYMENTS ARRANGEMENT. BECAUSE OF CURRENT EXCHANGE RATES, THE PRESCRIBED OCTOBER PAYMENT FROM ITALY WILL BE AN INSIGNIFICANT SUM OR NOTHING. ITALIAN REP HAD NO CONCRETE PLAN, ONLY A VAGUE PLEA THAT OTHERS SHOULD AGREE "IN PRINCIPLE" THAT THIS COULD BE DONE, AND THEN ALL PARTIES COULD COOPERATE ON THE "MODALITIES" OF HOW INDIVIDUAL OBJECTIONS COULD BE OVERCOME. ITALIAN REP SUGGESTED THAT PERHAPS A FORMAL LETTER TO MINTOFF COULD ACCOMPANY THE OCTOBER SPECIAL PAYMENTS EXPLAINING THE INDIVIDUAL AND UNIQUE CHARACTER OF THE ITALIAN CONTRIBUTION. HE SAID THIS LETTER COULD INCLUDE ANY WORDING THAT WOULD SERVE TO SATISFY OBJECTIONS OF ANY OTHER CONTRIBUTING COUNTRY.

2. NETHERLANDS REP SAID THAT ITALIAN PROPOSAL WAS NOTHING MORE THAN ASKING THAT WE ALL AGREE TO AN ABROGATION OF THE ORIGINAL SPECIAL PAYMENTS AGREEMENT; THAT ORIGINAL AGREEMENT WAS WATERED DOWN TO ACCOMMODATE THE ITALIANS; AND THAT'S THE ONLY REASON WE NOW HAVE EXCHANGE RATE PROBLEMS; THAT HE COULD NOT UNDERSTAND WHY ITALY COULDN'T MAKE EXCEPTIONAL PAYMENT OUTSIDE FRAMEWORK OF THE SPECIAL AGREEMENT; THAT ANY CONCEIVABLE PLAN WITHIN FRAMEWORK WOULD CREATE AN UNFAIR PRECEDENT; THAT ANY WRITTEN COMMUNIQUE TO MINTOFF WOULD ONLY REINFORCE THIS PRECEDENT; THAT HE COULD NOT UNDERSTAND WHY ITALY WANTED TO GIVE MINTOFF ANYTHING MORE ANYWAY; THAT PREVIOUS PAYMENTS THIS YEAR TO MINTOFF REST UNUSED IN VARIOUS BANKS; AND THAT IT IS USELESS TO CONTINUE  
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REQUESTING THESE SPECIAL MEETINGS.

3. ITALIAN REP REPLIED FRANKLY THAT IF HIS GOVERNMENT HAD TO OPERATE OUTSIDE THE SPECIAL ARRANGEMENT IT WOULD HAVE TO ASK PARLIAMENT FOR SUPPLEMENTARY FUNDS, AND THESE WOULD BE REFUSED. FURTHER DISCUSSION LEAD NOWHERE AND THE CHAIRMAN POLLED THE DELEGATIONS.

4. FRG REP SUPPORTED THE CONCLUSION THAT ITALIAN PROPOSAL WAS NON-STARTER. BELGIAN DID LIKEWISE WITH CERTAIN RELUCTANCE, SAYING HE HAD HOPED THAT A WAY OUT OF THE DILEMMA COULD BE FOUND. US REP SIMPLY SAID OUR POSITION AS EXPRESSED AT THE PREVIOUS MEETING REMAINED UNCHANGED. WE WERE OPPOSED TO ANY ACTION BY

OTHER CONTRIBUTORS WHICH COULD, IN EFFECT, CHANGE THE SPECIAL PAYMENTS GROUND RULES.

5. THE CHAIRMAN ASKED FOR AN "ADVISORY" OBSERVATION FROM THE UK REP. AFTER DEMURRER TO THE EFFECT THAT BILATERAL ARRANGEMENTS OF OTHERS WITH MALTA WERE NOT UK AFFAIR, UK REP STATED CATEGORICALLY HIS GOVERNMENT BELIEVED ANY GESTURES BY ONE COUNTRY WOULD BE MORE LIKELY TO CREATE A CRISIS THAN TO PREVENT ONE. UK REP ALSO OBSERVED WHEN MINTOFF RECEIVES THE REGULAR 7 MILLION POUNDS AND SEES FROM THE SPECIAL PAYMENTS FUNDS THAT THE LIRA AND THE DOLLAR HAVE FALLEN RELATIVE TO THE POUND, HE SHOULD RECOGNIZE THAT HE CAN THUS BUY MORE FROM ITALY AND THE U.S. FOR HIS POUNDS THAN WOULD HAVE BEEN OTHERWISE POSSIBLE.

6. CHAIRMAN THEN POLLED DELEGATIONS TO ASCERTAIN EXACT SUMS OF FORTHCOMING SPECIAL PAYMENTS. ITALIAN SAID LIRA FIGURE WOULD BE ZERO OR INSIGNIFICANT. US REP SAID US FIGURE NOT YET KNOWN BUT THAT IT WOULD BE COMMUNICATED AS SOON AS POUNDS FOR REGULAR PAYMENT HAD BEEN PURCHASED AND CALCULATIONS COMPLETED. NETHERLANDS REP SAID HE HAD MISPLACED HIS FIGURE. FRG REP WAS WITHOUT INSTRUCTIONS BUT OPINED GERMAN PAYMENT WOULD BE IN THE RANGE OF 1.7 MILLION DM. BELGIAN REP ALSO LACKED EXACT FIGURE BUT INDICATED IT WOULD BE VERY SUBSTANTIAL. DISCUSSION ENSUED ON MECHANICS OF PAYMENT ARRANGEMENTS BEFORE RETURNING TO SUBSTANCE OF ITALIAN PROPOSAL.

7. NO PARTY HAD ANYTHING OF CONSEQUENCE TO ADD, AND  
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CHAIRMAN CONCLUDED WE WERE "STAMPEDING IN PLACE." NETHERLANDS REP INSISTED THAT THE MATTER OUGHT TO BE CLOSED AND THAT THERE WAS NO NEED FOR ADDITIONAL MEETINGS ON THIS SUBJECT. HE ADDED FURTHER THAT THIS CONSENSUS SHOULD BE CONSIDERED A WORKING GROUP CONCLUSION AND A WRITTEN REPORT SHOULD BE MADE FOR NATO RECORD SO THAT MATTER COULD BE REOPENED ONLY AT A HIGHER LEVEL. ITALIAN REP RECOGNIZED THE REJECTION OF HIS INITIATIVE WITH RELATIVE GOOD GRACE BUT HE SUCCEEDED IN CONVINCING OTHERS THAT A WRITTEN REPORT WAS NOT CALLED FOR, AT LEAST NOT AT THIS TIME. HE PROPOSED THAT THE GROUP MEET AGAIN IN TWO WEEKS AT WHICH TIME EXACT FIGURES WOULD BE AT HAND FOR ALL FIVE SPECIAL CONTRIBUTIONS. NETHERLANDS REP INSISTED THERE WAS NO NEED FOR A FURTHER MEETING. HE WOULD COMMUNICATE HIS FIGURE IN WRITING TO THE CHAIRMAN AS SOON AS HE FOUND IT. THE MEETING BROKE UP WITH AGREEMENT THAT AS SOON AS ALL FIGURES WERE REPORTED, CHAIRMAN WOULD CIRCULATE A SUMMARY AND ANY PARTY WOULD THEN BE FREE TO ASK FOR ANOTHER MEETING.  
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